EU migrants as entrepreneurs in Lincolnshire

Exploiting the enterprise culture

Ian Barnes and Val Cox

Abstract: *The arrival of unprecedented numbers of migrant workers in the rural counties of the UK, due to EU enlargement, has created a unique opportunity. Many of these migrants wish to become more than just a source of cheap labour; they aspire to become entrepreneurs. Lincolnshire has already seen a burgeoning of migrant businesses, but these have prospered largely by serving their co-ethnic market. This article examines the barriers and drivers for establishing businesses in the wider regional market and observes the first attempts at providing adequate support mechanisms. With improved language skills, there is potential for migrants to break out of the co-ethnic market and develop sustainable businesses.*

Keywords: *migrants; entrepreneurs; co-ethnic markets; gangmasters; EU enlargement; Lincolnshire*

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There are around three million legal economic migrants entering the Organisation for Economic Cooperation and Development (OECD) area every year, and this has caused a major debate about their overall usefulness (OECD, 2006). In those economies with skills shortages or indeed a lack of workers overall, they appear to offer benefits, especially if they can be successfully integrated into the workforce. Migrant workers constitute a growing percentage of the UK workforce. The debate concerning them is normally couched in terms of skilled or unskilled migrants and the extent to which they may eventually become a burden on society or simply displace domestic workers. They are not typically considered for their business acumen and initiative unless they migrate along with a major provider of foreign direct investment (FDI). Therefore, whilst it is clear that these migrants wish to work, those from Central and Eastern Europe are not typically viewed as a source of new enterprise.

The arrival in Lincolnshire, an essentially rural county in the East Midlands region of the UK, of a significant number of migrant workers from Central and Eastern Europe as a result of the May 2004 EU enlargement, came as something of a surprise. Typically, many of these workers were content to restrict their activities to providing the basis of a flexible workforce in areas of the economy seeking low-cost labour. At the same time however, many migrants sought to establish businesses, many of which (eg shops and personal services) aimed to exploit their privileged access to their co-ethnic market. This article seeks to explore the potential to establish sustainable business enterprises amongst this group within and beyond the co-ethnic market. The article examines the factors that drive this new migrant

group to establish their businesses and observes the barriers that they face in terms of moving into new areas of the market. Issues of concern are the areas of the market that offer the greatest potential for these new migrants to develop their businesses and the kind of assistance they require to exploit them.

The number of workers from the eight Accession states (A8) of Central and Eastern Europe coming to the UK in the period 2004 to 2007 exceeded 600,000, and there may have been as many as 900,000. These were overwhelmingly full-time workers aged 18 to 34, with the majority seeking manual work, although a significant number of professionals also migrated. The largest nationality group were Poles, followed by Lithuanians and Slovaks. Significantly, only about 17% of all migrants from the A8 moved to the London area in 2004, and this number had fallen to 10% by the end of 2006. However, the numbers moving to the Midlands had risen to 16% of the total by the last quarter of 2006 (Home Office *et al*, 2007).

A large number of workers sought employment in rural areas, and counties such as Lincolnshire have benefited from these seasonal workers in agriculture and in the food-processing industry. This contrasts with many previous waves of migrants who sought work in major cities. Robinson and Reeve (2006, p 5) suggest that, 'New immigrant populations typically cluster together with people from similar backgrounds and reside in less popular inner-city areas'. However, they go on to point out that they are also evident in other locations '. . . such as small towns and rural areas of Lincolnshire and Norfolk where employment opportunities exist in agricultural and food processing industries'.

Portuguese workers started to migrate to rural Lincolnshire in large numbers from around the mid-1990s.[1] As the Portuguese move into the larger cities, employers suggest that Poles and Lithuanians, who appear to be more than happy to do the kinds of work that the Portuguese have left behind, are now displacing them.

The arrival of the migrants led to the creation of a number of businesses to cater for their needs. Initially, their recruitment led to the expansion in the numbers of 'gangmasters'[2] who have been responsible for acting as intermediaries between the migrant labour force and the employers. There was a belief that many of the workers who chose this route to migration had the intention of staying for only a brief period. However, a survey (Zaronite and Tirzite, 2006) of Lincolnshire migrants indicates that about half have been in the county for more than a year, and 14% have been there for more than three years (Portuguese). Whilst 32% of migrants had no formal qualifications, 26% had degrees. Most of the research work on these migrants has tended to concentrate on their societal needs in their role as hired labour. However, whilst this aspect is important, it would appear that 32% of them want to stay in the country for at least 10 years (Zaronite and Tirzite, 2006). If this is the case, then it may be that there is the potential for these workers to move beyond the role of being hired labour to establishing their own businesses. About half Lincolnshire's gangmasters (registered and non-registered) are thought to be migrants themselves, taking advantage of a market opportunity. Boston (a city of 58,000 people) in south Lincolnshire already has two Portuguese public houses and at least three Eastern European grocery shops along with Internet cafés. Similar developments can be found in Lincoln (a city of 87,000 people), which has been the beneficiary of a significant number of A8 migrants. Clearly, we are seeing the start of entrepreneurship here. Migrants, by dint of their common language and culture, have privileged access to co-ethnic markets, but it may also be the case that many have aspirations beyond just serving their own community.

This article examines the issues facing first-time entrepreneurs, how they establish themselves, and the problems of trying to move out of the co-ethnic market. It scrutinizes the aspirations of potential migrant entrepreneurs in Lincolnshire, a largely rural county, and attempts to ascertain whether this is a group that is worth supporting in the same way as domestic entrepreneurs.

Methodology

In addition to reviewing published statistics on migration patterns and the characteristics of migrant workers in Lincolnshire, 16 semi-structured face-to-face interviews were held with migrants who had set up their own businesses, aspiring migrant entrepreneurs, employers of migrant workers, and people supporting migrant communities. A snowball sampling technique was used, with the original contacts coming from local knowledge and personal contacts who work with migrant communities.

The analysis and discussion are on two levels. First, we look at the aggregate picture in terms of factors that promote waves of migration; we then go on to consider factors operating at the individual level and consider how these influence migrants' entrepreneurial aspirations and ventures. Because of the exploratory nature of the research, the design has a broad focus and the analysis is concerned with identifying patterns in the data. A number of issues emerged repeatedly, which

suggests that we can put some confidence in the findings.

Waves of migration

Migration theory tends to concentrate on the size and composition of the flows of migrants into a particular country and their adaptation and integration into the labour force and society. In particular, it observes the economic benefits of the migrants to the host country (Borjas**,** 1989). A simple view of the issue would assume that there was perfect information and people would just move to where they could earn their best return. However, it is not a simple matter of relying upon the economic incentives. What is required is that there is a detailed understanding of the labour market conditions and the legal structures that either help or constrain movement.

Lack of information or inadequate information flows are likely to impact on the movement of workers (Glover *et al*, 2001). In the initial phases of large-scale migration, the quality of information may be poor, leading to a range of problems. Migrants may have exaggerated expectations of the economic benefits. In other cases, the uncertainty of how to gain employment or linguistic inadequacies will cause potential migrants to place themselves in the hands of intermediaries, such as gangmasters. Indeed, intermediaries may help to meet some of the capital costs of migration, such as transport costs.

Migrations are of course not a one-off phenomenon, so that with the advent of cheap air[3] or coach travel, migrants can choose either to stay for a limited period or to return again and again. Eventually, some may stay in the country on a permanent basis. This assists the development of a chain of migration effects, with information being sent back to the country of origin and others learning and gaining experience of where the best job contacts are and how to find accommodation independently. (For example, we have come across examples of Polish and Lithuanian workers making direct contact with employers such as food processors and car-wash owners.) This process of dis-intermediation is important, because it frees the migrants to look further than the gangmasters and employment agencies. It also suggests that what we are looking at is a dynamic process with a great deal of learning taking place. In the case of the Polish migrants, it is important to remember that there was a substantial wave of migration at the time of the Second World War. It is only in recent years that the White Eagle clubs have closed down and this community has provided a degree of support for more recent migrants.[4] Plus, there is spiritual support from the Catholic Church.

Migration and EU enlargement

Economic migration within the European Union is not a new thing; it was at the heart of the Community when it came into existence in 1958, with workers moving from areas of high unemployment and low activity such as southern Italy to the booming industrial economies of Germany and France. This pattern of economic migration has slowed over the years, especially since the economic slowdown associated with the 1970s oil crisis. However, there have been times when the numbers migrating did pick up, for example after the Mediterranean enlargements of the 1980s. So, for example, significant numbers of migrants came from Portugal to work in rural Lincolnshire after Portugal's accession to the EU in 1986. The fall of the Iron Curtain in 1989 saw the start of greater economic migration within Europe caused by the pull of the more successful EU economies and large-scale unemployment in the former communist states. The restructuring of large sections of the economies of Eastern Europe caused high levels of unemployment along with a realization that if citizens were to obtain the living standards available in the West, they were going to have to live and work there. For a period, asylum seeking and economic migration became confused, but this is not as common now as the political situation across a great deal of Europe has stabilized.[5] Whilst there tended to be irregular migration prior to accession, many of the workers were highly skilled. Even before EU enlarge-ment, the UK attracted migrants. There were 214,600 long-term migrants in 2003 (those staying more than one year) and this rose to 266,500 in 2004 – a rise of 24% (OECD, 2006). One of the main drivers behind this trend was the higher-than-average growth rate of the UK economy and the tightening of the domestic labour market as a result of this.

In 2004, there were about 25 million non-nationals living within the EU 25, with the largest populations being in Germany, France, Spain, the UK and Italy (Eurostat, 2006). On 1 May of that year, 10 new states joined the EU, but among these, the citizens of Malta and Cyprus already had full rights to free movement. The rights to full free movement could be delayed for the A8 for a transitional period of up to seven years in order to protect domestic labour markets. The UK, Ireland and Sweden decided that workers from the A8 could have the right to work right to work immediately. However, the UK required A8 migrants to register under the Worker Registration Scheme (WRS) and restricted their access to benefits.[6] The WRS indicates that 578,910 people from the A8 applied to register to work in the UK between May 2004 and the end of 2006, with the largest numbers coming from Poland (Home Office

et al, 2007). If families and the self-employed are included, the total numbers are well in excess of 700,000.[7] These figures are highly suspect, even allowing for the broadest interpretation. The Polish Embassy estimates that there are 500,000 to 600,000 Poles living in the UK, compared with the official figure of 358,200. If the size of other ethnic groups has also been underestimated, the numbers could well be nearer the million mark (Browne and Sherman, 2007). The consequence of this is that the concentration of migrants in an area such as Lincolnshire is likely to be far greater than official estimates suggest.

By providing workers to fill both skilled and unskilled vacancies, migration has the potential to enhance development by allowing workers to move to where they are most valued. Clearly, there is a limit to the extent to which migration will be acceptable on a social and political level if it does nothing more than depress wage rates. The benefits of low inflation can quickly evaporate if domestic workers feel that their living standards are being undermined. However, if migration is well managed, it can have an impact on the innovation and growth of the receiving economies, as well as on employment and welfare. The UK government's view is that migrant workers make a significant contribution to its economy and that generally they do not reduce job opportunities for the indigenous workforce (House of Lords, 2005). Neither are they likely to be a net drain on welfare services, largely because they come to the UK for jobs, not to be unemployed. Migrants are currently thought to add 10% to the UK's growth forecast, according to UK Treasury estimates (House of Lords, 2005).

The most valuable migrants in an economic sense tend to be those with the highest levels of skills, and these have proved to be important in filling important gaps in the health service. Some of these operate as micro-businesses in areas such as dentistry.[8] So, for example, Polish migrants Anthony and Beata Kirschner announced that they were planning to open a new dentists' surgery in Washingborough near Lincoln in May 2006 (*Lincolnshire Echo*, 2006c). This practice now advertises its services to the Polish- and Russian-speaking migrant community. Other important migrants are those who are directly tied to foreign direct investment (FDI). It has typically been the case that key managers have moved with companies into countries where acquisitions have been made. Their ability to deal with people from the same linguistic and cultural backgrounds back at their home base is important. They help to reduce communication costs and provide important information about market structures. In addition to this, they often tend to develop useful social networks, which help to integrate the business into the community.

Lincolnshire, like many other rural counties, had little experience of cultural diversity until recent years. Regrettably, the influx of migrants has not been universally welcomed. A study of public attitudes towards migrant workers in Lincolnshire in 2006 found that one-third of the county's population resented them being there. They believed that migrants 'sponged off' the welfare system and took local jobs. None of the 75,000 migrants working in Lincolnshire, mostly on farms or in factories, and making up 10% of the county's population registered for Job Seeker's Allowance in mid-2006 (*Lincolnshire Echo*, 2006a).

There can be no doubt that there is a need for migrant workers in the UK countryside. In its 2006 report, the Commission for Rural Communities recognized that there were hard-to-fill vacancies for workers and that many within the domestic labour force were unwilling to do particular types of work. This shortage of key workers had led to a loss of business and difficulty in developing new products. Some rurally based firms had responded to the problem by outsourcing a greater proportion of their work. Others recruited non-UK migrants, and this led to a considerable increase in their numbers, with more than three times the percentage growth compared with urban areas in the period 2004–05 (Commission for Rural Communities, 2006).

The legal situation

One of the fundamental aspects of the structure of the EU is the free movement of all factors of production and, as a result, there is a commitment to a common immigration policy. However, one of the overarching problems associated with this is a lack of consensus about how this might actually be implemented. The UK has led the way in allowing EU workers into its economy – at least until recent times when there have been increased restrictions on workers entering from Bulgaria and Romania. The Institute of Directors' County Branch Chair for Lincolnshire, James Pinchbeck, said: 'Migrant workers make a valuable and important contribution to the county and the UK' (*Lincolnshire Echo*, 2006b). Generally, employers were not happy about the restrictions on Bulgarian and Romanian workers because they were a valuable source of labour, especially in sectors such as food processing. In addition, the variable restrictions will force employers to become pseudo-immigration officers.

Whilst many workers were able to migrate into the EU from the A8 prior to actual accession, membership gave these EU citizens the right to establish businesses of their own from a relatively low base. That is, they did

not have to provide evidence of substantial resources before starting their own enterprises. Article 43 of the Treaty Establishing the European Community, which deals with the free movement of enterprise states that:

> '. . . restrictions on the freedom of establishment of nationals of a Member State in the territory of another Member State shall be prohibited. Such prohibition shall also apply to restrictions on the setting-up of agencies, branches or subsidiaries by nationals of any Member State established in the territory of any Member State. Freedom of establishment shall include the right to take up and pursue activities as self-employed persons and to set up and manage undertakings.'

The business of getting migrants into the region

Inevitably, a number of migrants arrive in the region on their own, but with limited language skills and an often relatively unsophisticated rural background, many workers find their way into the rural labour market via agencies and gangmasters. Gangmasters are suppliers of labour to sectors such as agriculture and food processing. Their existence was noted as far back as the nineteenth century with the passing of the Agricultural Gangs Act of 1867 (House of Commons, 2003). Gangmasters rose again to prominence as an issue in the 1990s. They are almost indistinguishable from employment agencies, but tend to operate in sectors such as farming or food processing. They can constitute any size of business ranging from respectable international organizations to informal operators who live on the margins of legality.

Gangmasters met the shortage of basic seasonal labour at peak periods such as harvest times. They were able to operate with largely indigenous labour until the 1990s, but then the recovery of the UK economy and a fall in unemployment created problems. With an increasingly tight labour market and a shortfall of workers in the countryside, migrants appeared to offer a solution. (Without these workers, the rural industries could have drifted into decline or the prices of their products might well have risen.) The gangmaster would supply labour as required, whilst the farmer or food processor would be free of responsibility for both recruitment and for basic supervision of workers with limited language skills. The situation with respect to the exploitation of migrant workers is a cause of concern. Free movement across the European Union and porous borders to the east meant that many employees in the rural sector lacked knowledge of employment laws and were not represented by trade unions. The rapid growth of the gangmasters' business, designed to recruit and manage a developing aspect of the rural business model, which is linked to the provision of cheap food to the supermarkets, should not therefore be regarded as benign. In the worst cases, the treatment of this labour force, which meets the seasonal needs of the industry, has been described as being medieval. But Brass (2004) makes the point that, 'Rather than being a pre- or non-capitalist relic, however, the gangmaster system corresponds to the restructuring of the rural labour process by cost-cutting agribusiness enterprises and commercial farmers'.

Lord Carter described the situation in 2004 as follows:

> 'The criminal gangmasters commit offences on health and safety, wage regulation, social security benefits, housing, immigration controls, VAT and taxation. They move fast and they are adept at escaping the clutches of the law. The only way to deal with them is to have a proper system by which gangmasters are known, registered and licensed. There must be a system to ensure compliance with the licence system and, crucially, enforcement when an offence under the Bill is committed'[9] (House of Lords Hansard, 16 June, Column 840).

Until 2006, the gangmasters were largely unregulated[10] and an excessive reliance was placed upon voluntary codes of conduct. In April 2006, organizations or individuals who supplied labour to the agriculture, horticulture, food-processing and packaging industries were required to apply for a licence from the Gangmaster Licensing Authority (GLA). As of October 2006, it became a criminal offence to operate without a GLA licence, and from December 2006 it became an offence to use an unlicensed labour provider. Whilst the primary aim of the GLA is to ensure that unreasonable exploitation of workers does not take place, it is hoped that regulation will reduce the incidence of tax fraud and encourage greater compliance with regulations.[11] It may also encourage the employment of legal workers and bring about greater transparency in the marketplace. This does not mean that the unlicensed sector has disappeared. There are only two GLA inspectors responsible for the whole of Lincolnshire. Despite this, gangmaster businesses have been raided and closed down in Lincolnshire and elsewhere (Hickman, 2007).

Given that there may be between 60,000 and 80,000 migrant workers in Lincolnshire at any one time, there would appear to be a large number of people organizing the industry. There may be up to 1,000 gangmasters (big and small). Some will be operating officially and,

despite the existing legislation, some will be operating informally. The essence of the gangmaster business is to have a flexible labour force working for you and to be able to recruit from sources in Europe as required. This provides a market opportunity for migrant entrepreneurs, and a number of non-UK nationals were able to use their contacts in their homeland to recruit more workers. Typically, an agency may charge between 10% and 20% for its services. The less scrupulous are able to negotiate cash contracts with farmers and pay their workers in cash. Not only does this avoid taxes on both sides of the deal, but also, workers who are mystified by the whole experience are frequently paid only a fraction of their wage entitlements (Hickman, 2007). Less than half of migrant workers have their wages paid into bank accounts (Zaronite and Tirzite, 2006, p 41).

Migrants as entrepreneurs

There is some evidence to suggest that levels of entrepreneurship and self-employment are high among migrants – and higher among migrants in the UK than those elsewhere in Europe (Glover *et al*, 2001). However, the survey that this refers to pre-dates the wave of migration post-2004. Of the 692 migrant workers surveyed in south Lincolnshire in 2005, only two said they were self-employed and one reported having his own business (Zaronite and Tirzite, 2006). However, observations in Lincoln and Boston identified a variety of self-employed migrants.

Whilst migrants do live in the countryside, often in purpose-built accommodation or by utilizing caravan parks, they prefer an urban setting. Overseas nationals' National Insurance registrations by local authority as a percentage of people in employment between those aged 16 and 64 give an idea of the degree of concentration of migrants (as an alternative to measurement based upon the WRS).

Table 1 shows the concentration of migrants in the south of the county, where there is intensive market-gardening activity and bulb cultivation. Significant numbers of migrants are of course required to form the basis of a viable co-ethnic market, so it is no coincidence that the activities of migrant entrepreneurs are most evident in these areas. It would seem that the actual numbers of migrant workers in Lincolnshire vary between 60,000 and 80,000. The variation in totals arises because of numbers coming into the county for specific aspects of the farm cropping cycle. In addition, some workers move in and out of the county from adjacent areas such as Norfolk and Suffolk. Numbers will fall when there is a need for workers in other parts of the country.

Table 1. Total registrations (2002/03–2005/06) as a percentage of employed 16–64-year-olds.

Location	% of migrant workers
Boston	18.5
South Holland	11.2
Lincoln	8.8
South Kesteven	3.6
East Lindsey	2.7
North Kesteven	1.9
West Lindsey	1.3

Source: Green and Owen (2007).

Drivers influencing A8 entrepreneurs

Gibb and Ritchie (1982) identified four success factors for new small businesses – motivation and determination, ideas and market, resources, and ability.

Motivation and determination

The majority of migrants have been encouraged to seek work in the UK because of a lack of opportunity in their own countries. By far the largest numbers come from Poland and Lithuania and very few come from places such as the Czech Republic, which has a stronger domestic economy. Improvement in earnings is an important driver, and many migrants seem to be well aware of the differences in living standards between themselves and the native population. Those interviewed made it clear that many aspired to a better future than getting by on minimum wages and that one of the routes to this was to become self-employed. Constant and Zimmerman (2006) suggest that discrimination can also be an important factor leading immigrants towards self-employment. This was not identified as a direct cause among our interviewees. However, living conditions and reliance on employers for transport, accommodation and subsistence marked them out from indigenous workers and were important factors. Workers may be highly reliant on the gangmaster. (The most exploited workers and therefore the most profitable are likely to be the illegals.)[12] In many cases, there are queues of workers in the home state and region waiting for the opportunity to work in the UK. The provision of housing and transport eases that passage.

The gangmasters do not restrict themselves to the provision of labour for a fee. They make additional revenues from charging for housing, transport and food. Accommodation is often of the most basic kind with multiple occupancy. With multiple occupancy, properties deteriorate rapidly, but with 12 or more workers in occupation, the income from one house can be in excess of £600 per week. Migrant property owners or sub-letters are therefore helping to ratchet up property prices

in places such as Boston and Spalding. The provision of transport to and from work sites is yet another business that is associated with migrant workers. Payment for the journey to and from the sites is frequently well in excess of the cost of providing this service, although such charges should not be made unless the transport provider holds a public service vehicle (PSV) licence.

Ideas and market

Working as a gangmaster is inevitably one of the areas in which immigrant entrepreneurs are advantaged. Many gangs consist of workers from one language group, and the ability to communicate with the group and in English offers a unique business opportunity for those who choose to take it.

For many start-ups, the first step is to service the co-ethnic market. Portuguese migrants first started to arrive in Boston in numbers in 1996. At the peak, it was estimated that over 4,000 were resident in the area. Numbers have started to drop off in recent times, and it may be that they have halved, as those who have acquired enhanced English language skills have moved on to larger urban areas. However, there is a lasting legacy of businesses that were established to accommodate the needs of the ethnic community, for example the Volunteer public house. This is owned by Mr Vasco de Mello. In January 2006, he owned a number of businesses including two pubs, a restaurant, a Portuguese food shop and a gangmaster business (*Guardian*, 2006). This is a very good example of an immigrant who, having arrived in 2001, moved forward as an entrepreneur with a wider range of interests, adding to his respectability by joining the Labour Party. However, Mello's success in the city gives a distorted picture of the range and acceptance of Portuguese businesses there. The Volunteer public house has been subject to a number of racist attacks. The windows have a wire mesh grill to protect them from bricks and rocks.

The establishment of a range of business types was inevitable, given the sheer scale of migration. In the rural economy, it is less likely that the archetypal Polish plumber or Estonian electrician will find employment easily. These are trades that thrive in urban areas. However, the construction industry uses gangs of workers on a subcontractual basis, using the gangmaster approach. In Boston, one such contractor of Polish origin was engaged in house refurbishment.

The provision of food is a grey area. There has been growth in the number of ethnic shops and bars in the region. The provision of grocery shops to cater for the needs of migrant communities has proved a popular development. In the case of New York, a small village outside Boston, the Polish grocery shop meets the needs of migrant workers in the large caravan parks nearby. Oscars, a Polish shop in Boston close to the centre of the city and the bus station, is part of a chain that has its headquarters in Nottingham, so its arrival is a result of opportunism from urban migrants. It serves the migrant community with Polish foods and newspapers, and it provides the odd computer for Internet use. The assistant had only been in the UK for one month and spoke a limited amount of English. The Baltic Food shop is another local chain owned by one of the gangmasters. The Polish cake shop in Boston appears to have been an independent initiative in a similar way to the Portuguese café. Other immigrant enterprises in the Boston area include Internet cafés, phone shops, translation services and a travel agency (this was owned and run by a Bulgarian and her Spanish boyfriend).

Start-ups in the Lincoln area include a second Baltic Food branch, a Polish delicatessen, a painting and decorating business, hairdressers, car servicing, vehicle hire, translation services, transport and hand car washes. In addition, the migrant community appears to be active in the local sex trade, with suggestions that the prices charged by local providers are being undercut by migrants (*Lincolnshire Echo*, 2007).

The growth of hand car-wash and valeting services demonstrates the impact of low-cost labour and a willingness to do the kind of jobs that do not interest domestic workers. At one time confined to commercial contracts and relatively wealthy private customers, low-priced hand car washes have now entered the mainstream, with six operations in the City of Lincoln alone. The owner of one of these enterprises described how Poles, Latvians and Lithuanians made up the labour force. Recruitment is generally by word of mouth, either among workers already in the country employed as pickers and packers in the food and flower industries, or direct from the home country. Young men aged 20–30, with Russian as their common language, form tightly knit social networks sharing housing, transport and information about employment opportunities. Often working six days a week, they typically earn £200–250. Some mix weekend car-wash work with weekday food-processing and packing work. The longest serving employee stayed in the job for 11 months before going back to Poland to get married. One of the men has been trained up to act as supervisor when the owner-manager is off the premises.

The more skilled workers often go back home, as, by the time they have paid for accommodation, food and transport, they can earn a higher disposable income there; but some, who have been in the UK a while, have improved their English and can get a credit rating, have the opportunity to become more settled. Members of this group are more likely to set up their own businesses. Some did set up small employment (gangmaster)

agencies, but the car-wash contact suggested that they have now mostly been squeezed out by the larger agencies who have tied up the main rural factory and farm contracts.

Ability

Previous experience of working in particular industries or market sectors was common. So for example, the proprietor of the King's Favour, a café and shop in Lincoln's High Street, had already worked in such a business in Portugal (Fox, 2007) and at least two of the Lincoln shopkeepers had worked in a food-processing factory in North Scarle near Lincoln. The Lincoln hairdresser had worked in the business in her native Lithuania.

Forty-three per cent of the migrant workers in south Lincolnshire surveyed by Zaronite and Tirzite in 2005 reported having trade skills such as hairdressing, mechanics and dressmaking, and these were evident in the types of businesses we observed. Russian is the most prevalent language, and although rarely spoken, is important for translating information. This was evident in a number of the shop window advertisements.

Resources

Many of the businesses identified, such as the decorating business, hairdressers, translation services and transport, were low-overheads services requiring limited financial investment. Promotion tended to be via word of mouth and shop window advertisements in places such as food shops and Internet cafés, which acted as social hubs. The sources of capital to support ventures such as restaurants and food shops, sometimes in prominent high street locations, were less clear.

Barriers

The barriers are familiar ones, and include lack of access to finance and a failure to understand the domestic business legislation, plus an initial lack of social networks. Lack of language skills and limited time and energy that can be devoted to acquiring them is a major issue. Generally there is an absence of understanding of possible sources of help that might be available locally, although the indigenous population of Polish origin is often ready to assist in making contacts. Regrettably, there is some racism, which is made worse by the 'ghettoization' of the new arrivals. Some factories are 70% Polish, for example. These hurdles are consistent with those facing immigrants in other EU countries such as Germany (Constant and Shachmurove, 2006).

Entrepreneurs such as Mello are now firmly established in the Boston area, and as such they have a range of local connections. However, there are real problems of racism, so for example, the Privateer, a restaurant in Boston owned by a group of Portuguese, has felt the need to get over the problem by declaring itself to be a Spanish restaurant. Generally, there is a degree of indifference in the regional Chambers of Commerce and Trade, largely because they are in business to protect the rights of existing members rather than to welcome new competitors. However, the main problems remain the traditional ones. The migrants are generally poor and lack the financial resources to establish sustainable businesses, even if they have a good business idea.

Language barriers will inevitably hold back business development, but over time this will become less of a problem. The longer migrants remain in the country, the more they become aware of their rights and the basic way that business operates in the UK. Whilst new arrivals tend to be heavily reliant upon their own ethnic group, it soon becomes clear that it is possible to get better work and then perhaps operate on their own after a period of time. There are limits to the extent that privileged access to the co-ethnic market can be exploited, despite the fact that it continues to grow, because as language competence amongst migrants increases, so does their willingness to use domestic business. As the ethnic shops face increased competition from supermarkets (Asda, Sainsburys and Tesco have all introduced new Polish products including borsch, meatballs, pickled vegetables and sauerkraut), it will become more important for them to widen their appeal.

Finally, the bureaucratic barriers to starting one's own business appear to be considerable. One of the early problems faced by the police in Lincolnshire was the lack of awareness of basic road traffic regulation. Requirements such as roadworthiness, speed limits, alcohol limits and insurance have caused problems for the Lincolnshire police. These are issues that have been dealt with via publicity campaigns, but knowledge of more specific business requirements remains a problem, especially if sources of external finance are being sought. The requirement to register with the Gangmaster Licensing Authority is a good example of this.

Support

Efforts to improve business start-up and survival rates amongst the migrants are already evident. Funding streams for language classes, however, have tended to be sporadic, and whilst the take-up rate is initially quite high, attendance is often patchy, with migrant workers seeking to maximize their short-term earnings in preference to investing in their education. Anecdotal evidence suggests that the standards of English are improving amongst those who are in regular contact

with native speakers. There is, however, a language problem for those employed in almost exclusively immigrant workforces. With almost three-quarters of all recent migrants being Polish, this is increasingly becoming a problem. Therefore, whilst this trend increases the size of the co-ethnic market in the short term, the barriers to the national markets remain in place.

One of the major concerns of the UK authorities is that the business ideas developed by the migrant community are ethical. There is evidence that important insurance requirements are ignored and there is a temptation to cut corners in order to increase the short-term rate of return. Examples of this are airport taxis organized on an informal basis that operate without adequate insurance cover. Involvement of migrants in the sex trade and money laundering are also a source of concern.

In 2007, Success Matrix (a business support organization) and Lincolnshire County Council started their pilot Migrant Worker Programme in the south of the county (South Holland) (Fox, 2007). This aims to support 10 potential migrant entrepreneurs through the process of start-up by trying to overcome many of the barriers identified elsewhere, such as the complexity of the taxation system and access to capital. If three of these start-ups metamorphose into viable businesses, then the pilot will be judged a success. Many of the potential participants in the programme already have a good level of English, good computer skills, and a quarter of migrants have degrees.

Conclusions

The magnitude of the wave of migrants from Central and Eastern Europe post-2004 came as something of a surprise. It formed a layer on top of a substantial Portuguese wave of migrants into Lincolnshire in the late 1990s, and has surpassed it, because its scale and impact is evident across the whole of the county, not just in the south. The reason for the establishment of shops, cafés and pubs by the migrant community is the need to serve the co-ethnic market. However, underlying this is the huge business labour importation into the countryside, and this is by far the largest source of immigrant entrepreneurs. The gangmaster business represents many of the worst aspects of tooth-and-claw capitalism and, as such, it is important that it should be regulated effectively. The highly exploitative business practices associated with the industry should not be allowed to be replicated in other sectors.

Generally, migrant businesses would appear to fall into two broad categories. The first is to supply the needs of their co-ethnic market. The second is to provide for customers from a wider market. Breaking out of the co-ethnic market is difficult in some cases because of language and the cultural sensitivity of the offering. But it is a pressing concern for those who wish to establish themselves fully. Because population densities are relatively low in Lincolnshire, many of the businesses have established themselves in the larger centres, but these are in no way comparable with London or industrial cities such as Bradford.

Migrant businesses also tend to operate in what have, until recently, been declining sectors. The plentiful supply of migrants revived the gangmaster business, but whether the migration flows will continue is uncertain. Hand car washes are very labour-intensive and, as such, would have remained an upmarket product had it not been for cheap migrant labour; but will migrants continue to be willing to work in the sector in the longer term? Finally, the migrant shops are of the street-corner variety, which had shown signs of significant decline until very recently. Now the supermarkets are advertising the fact that they sell a range of Polish products and, of course, the prices are very competitive. The large supermarket chains, having seen the market developing, have quickly used their international supply chains to offer a challenge to this new sector.

In addition to the issues of the long-term viability of some of the sectors attracting migrant entrepreneurs, there are barriers to initial start-up, including: language, access to finance, knowledge of legal and other bureaucratic requirements and conventions, and limited social contact outside the migrant community. Pilot support schemes are being set up, and it will be interesting to monitor their success.

Notes

[1] Portugal became a member of the European Union in 1986.
[2] Gangmasters operate recruitment and employment agencies providing temporary workers. Initially they operated in the agricultural sector, but now the term applies to those working in food processing and construction.
[3] There are flights to 10 Polish airports from the UK.
[4] It should be remembered that there was a substantial Polish population amounting to about 160,000 people residing in the UK after the Second World War. The census suggests that this had been absorbed and had diminished to about 60,000 people in 2001.
[5] The UK attracts many foreign students, most of whom return home. The number of asylum seekers declined sharply from 84,000 in 2002 to 41,000 in 2004, but there was a major increase in the numbers of migrants from the new member states, 130,000 registering for work by the end of 2004, rising to a total of 350,000 by December 2005 (OECD, 2006, p 224).
[6] On 24 October 2006, the UK Home Office announced that there were to be restrictions on the migration of lower-skilled workers from Romania and Bulgaria; these would not however apply to those already working in the UK, or indeed to the viably self-employed. Seasonal workers were also to be allowed to work in sectors such as the food industry.
[7] There were 35,618 dependants recorded between 2004 and

2006, but this figure is likely to be an underrecording because this is a less pressing compliance issue.

[8] According to the WRS, 200 dental practitioners (including hygienists and dental nurses) and over 1,000 GPs, hospital doctors, nurses and medical specialists arrived from the A8 in 2006.

[9] For examples of the irregularities in the sector, see House of Commons, 2004, p 14.

[10] A licensing system for gangmasters/agencies was put in place in 1973, only to be abandoned in 1994.

[11] Illegal working, avoiding the National Minimum Wage, failure to give adequate notice of termination of employment, excessive working time, failure to give paid holidays, and benefit fraud.

[12] Brazilians tend to interchange with the Portuguese, and Ukrainians with the Polish. Neither group has an automatic right to work in the UK.

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